



# FIB REPORT 2019

## ANALYSIS OF FOREIGN INSURANCE BUSINESS OF AUSTRIAN INSURANCE GROUPS

Division II/4 – Team Supervision of Insurance Groups

# CONTENT

Management Summary.....	4
Structure of the Report.....	7
1 Cross Market Analysis .....	8
1.1 Scope of business .....	8
1.2 Macroeconomic Overview CESEE-Region .....	8
1.3 Insurance Markets .....	10
1.3.1 Market Structure and Characteristics .....	10
1.3.2 Market Development.....	12
1.3.3 Market Position.....	14
2 Foreign Insurance Business .....	16
2.1 Premium Development .....	16
2.1.1 Share of Foreign Business.....	16
2.1.2 Allocation of Premiums .....	17
2.2 Cross-border business via Branches and Free Provision of Services .....	18
2.3 Group Solvency .....	18
3 Analysis of Key Markets.....	19
3.1 Czech Republic .....	20
3.1.1 Insurance Market Overview .....	20
3.1.2 Austrian Insurance Groups .....	22
3.2 Poland .....	23
3.2.1 Insurance Market Overview .....	23
3.2.2 Austrian Insurance Groups .....	25
3.3 Slovakia.....	26
3.3.1 Insurance Market Overview .....	26
3.3.2 Austrian Insurance Groups .....	28
3.4 Romania .....	29
3.4.1 Insurance Market Overview .....	29
3.4.2 Austrian Insurance Groups .....	31
3.5 Hungary.....	32
3.5.1 Insurance Market Overview .....	32
3.5.2 Austrian Insurance Groups .....	34
3.6 Croatia.....	35

3.6.1	Insurance Market Overview .....	35
3.6.2	Austrian Insurance Groups .....	37
ANNEX 1: Risk Map Insurance and Macroeconomic Indicators .....		38

## MANAGEMENT SUMMARY

The Foreign Insurance Business Report provides information on the foreign insurance business of Austrian insurance groups which is either generated by subsidiaries (this is the main focus of the report) or by branches or free provision of services.

There are 5 Austrian insurance groups having insurance subsidiaries abroad: Vienna Insurance Group, UNIQA Group, GRAWE Group, Merkur Group and Wüstenrot Group. At the end of 2018, the scope of business of these groups comprised 87 foreign insurance and 4 foreign reinsurance companies in 27 countries, mainly in Central, Eastern and South Eastern Europe. For the purpose of the analysis, 4 geographical segments are defined: Western Europe (WE), Central Europe (CE), South Eastern Europe (SEE) and Eastern Europe (EE).

### Cross-Market Analysis (Market Perspective)

#### Macroeconomic overview of CESEE region

The macroeconomic development of the CESEE region was positive, but economic growth is slightly slowing down. This economic wellbeing is due to solid increasing wages, stable investment dynamics (due to the low interest rate environment and high EU-Transfers) and strong export performances. In the Western Balkans, the growth slow-down is less severe and mainly concentrated in Serbia, where an exceptionally good harvest could not be repeated.

The midterm outlook is less optimistic which is mainly due to the worsening of the global economic environment. Nevertheless, the positive trend of rising wages and of attracting investments is very likely to continue for at least some time, even though the effect might weaken.

#### Insurance Markets

**Market characteristics** of insurance markets relevant for Austrian insurance groups vary considerably regarding size, concentration and level of maturity. The most mature insurance markets as measured by insurance density (i.e. premiums per capita) and insurance penetration (i.e. premiums in % of GDP) are found in Western Europe (Germany, Switzerland, Liechtenstein). Insurance markets in Central Europe are generally more mature than most of the markets in Eastern Europe and South Eastern Europe. As in the previous years, Slovenia and Cyprus are outliers in the SEE segment, showing significantly higher insurance market indicators than the other countries in this geographical segment.

The size of an insurance market is measured by gross written premiums. In absolute figures, the insurance markets in Western Europe are by far the biggest ones, followed by Eastern European markets. However, from Austrian perspective and without consideration of reinsurance companies, the aggregated premium volume generated by Austrian insurance groups in these two geographical segments is not significant in relation to total foreign business. The core of foreign insurance business activity of Austrian insurance groups are the insurance markets of Central Europe and South Eastern Europe.

Regarding **insurance market developments**, in Central Europe, life insurance lost momentum in most markets where the sector holds a large share of the GWP portfolio such

as the Czech Republic, Hungary or Slovakia. The most significant drop in life insurance premiums was observed in Poland. On the non-life side, a positive premium development is observable, also with Poland being the market leader in the non-life segment of the CESEE region. Increasing car sales, mostly in the passenger cars segment, and rising tariffs (especially for MTPL), were the main growth drivers of the motor lines across the region.

In the insurance markets of South Eastern Europe a different trend in life insurance can be observed, especially, as the emergent life insurance markets of the Western Balkans recorded remarkable growth rates. However, it has to be considered that much of this growth is related to the increasing lending activity in the banking system, thus more or less to an obligation set by lending terms and not by an increasing awareness and appetite for life insurance. In the non-life segment, especially Bulgaria, Albania and Croatia show significant growth rates, mainly driven by increasing passenger car sales in the motor lines.

In some countries in Central Europe and South Eastern Europe, Austrian insurance groups have a high **market share** and therefore a dominant position on the local insurance market. In Central Europe, Slovakia and the Czech Republic are still the countries with the highest market shares of Austrian groups with the particularity of significant market positions in life and non-life insurance. However, in the recent years the Baltic countries become more and more important concerning market positions of Austrian insurance groups.

In South Eastern Europe, Austrian insurance groups generally show higher market shares in life insurance than in non-life insurance. This results from the fact, that life insurance markets are still less developed and Austrian insurance groups entered into it rather early.

In Western Europe Austrian insurance groups do not play a significant role on the local markets. In Eastern Europe, Austrian insurance groups hold significant market shares, however, neither in Russia nor in Turkey which are by far the biggest markets in this region.

## Foreign Insurance Business (Group Perspective)

### Premium Development

Austrian insurance groups generated an aggregated written premium volume (domestic and foreign business) of 14,3 Bn. EUR in 2018, this means a slight increase of 3% compared to the previous year. Foreign business via subsidiaries accounts for a foreign business share of 40,3% (2017: 39,8%).

Vienna Insurance Group and UNIQA Group generate business in all geographical segments, but Central Europe is their dominant region regarding written premium volume. GRAWE Group and Merkur Group are focusing on South Eastern Europe. The foreign business of Wüstenrot Group mainly relies on its subsidiary in Slovakia.

A break-down of written premiums according to countries shows that about 70% of total foreign premium volume is generated in 6 countries: Czech Republic, Poland, Slovakia, Romania, Hungary and Croatia. These countries are classified as so-called key markets for Austrian insurance groups. However, with some limitation there is a further candidate in the row to become a key market from Austrian perspective: Solely for the purpose of the analysis, Estonia, Lithuania and Latvia has been considered as one country – the “Baltics”. Written

premiums generated in the Baltics already reached a significant level, accounting for a premium share (i.e. the relation of written premiums generated in a country to the total foreign written premium volume of Austrian groups) over 6,1% which means a higher premium share than Hungary and Croatia.

### Group Solvency

All Austrian insurance groups recorded sufficient group solvency ratios for 2018 ranging between 195% and 272%.

### Cross-border Business via Branches and FPS

Austrian insurance groups not only operate abroad via subsidiaries but also use the system of free provision of services and/or branches to generate business. This part of the business is included in the financial statements of the domestic insurance undertaking.

Considering the 5 Austrian insurance groups, premium volume of about 1,01 Bn. EUR results from operations via branches and/or free provision of services. With a share of nearly 93%, the major part of premiums accounts for Free Provision of Services. The major part of cross border business via free provision of services is achieved in three countries: Germany, Italy and Latvia.

### Analysis of Key Markets

In order to define key markets, FMA categorizes all relevant insurance markets according to its premium share (i.e. the relation of gross written premiums generated in a market to total foreign gross written premium volume of Austrian insurance groups). Insurance markets with a premium share above 4% are defined a key market. Based on the figures at the end of 2018, six key markets for Austrian insurance groups were defined: Czech Republic, Poland, Slovakia, Romania, Hungary and Croatia. Together, over 70% of total foreign premium volume of Austrian insurance groups has been generated in these key markets. The list of key markets has not changed compared to the previous year.

## STRUCTURE OF THE REPORT

Austrian insurance groups do foreign business in two different ways: via subsidiaries or - following the EEA single licensing principle - via free provision of services or branches. Since this year, both types of business models are addressed in this report.

To clarify the data base and figures used in the analyses, at the beginning of each chapter references to the source of information and definitions of the key indicators are included.

The **first chapter** contains an overview of the macroeconomic framework as well as the development of insurance markets in the CESEE region relevant for Austrian insurance groups. This chapter also includes information on market characteristics and the market position of Austrian insurance groups on local insurance markets (market perspective).

The **second chapter** focuses on the foreign insurance business of Austrian insurance groups with an analysis of premium volume and group solvency (group perspective). Moreover, one part of this chapter is dedicated to the business generated by free provision of services and/or branches.

The **third chapter** provides a more detailed analysis of so-called “key markets”. Insurance markets with a premium share (i.e. the relation of gross written premiums generated in a market to total foreign gross written premium volume of Austrian insurance groups) above 4% are defined a key market.

# 1 CROSS MARKET ANALYSIS

## 1.1 Scope of business

Five Austrian insurance groups (i.e. Vienna Insurance Group, UNIQA Group, GRAWE Group, Merkur Group and Wüstenrot Group) are active via subsidiaries on foreign insurance markets.

At the end of 2018, the scope of business of these groups comprised 87 foreign insurance and 4 foreign reinsurance companies in 27 countries, mainly in Central, Eastern and South Eastern Europe. Reinsurance companies are excluded in the following analyses.

For the purpose of streamlining the analysis, the relevant countries are clustered into 4 geographical segments:

Western Europe (WE)	Central Europe (CE)	South Eastern Europe (SEE)	Eastern Europe (EE)
Germany	Czechia	Albania	Belarus
Liechtenstein	Estonia	Bosnia Herzegovina	Georgia
Switzerland	Hungary	Bulgaria	Moldova
	Latvia	Croatia	Russia
	Lithuania	Cyprus	Turkey
	Poland	Kosovo	Ukraine
	Slovakia	Montenegro	
		North Macedonia	
		Romania	
		Serbia	
		Slovenia	

Table 1: Countries divided into clusters (Western, Central, South Eastern and Eastern Europe)

## 1.2 Macroeconomic Overview CESEE-Region<sup>1</sup>

In general, the economic growth in the CESEE Region is slowing down to 3,9% in 2019. In comparison to the remaining European Union, however, the CESEE Region has a 2,4 Pp higher growth rate. This economic wellbeing is due to solid increasing wages, stable investment dynamics (due to the low interest rate environment and high EU-Transfers) and strong export performances. In the Western Balkans, the growth slow-down is less severe and mainly concentrated in Serbia, where an exceptionally good harvest could not be repeated. In addition, the Western Balkans are becoming a more favorable option in comparison to the CESEE Region due to the still lower price level. In general, the outlook is less pessimistic than originally forecasted in the beginning of the year. All country data were revised positively, besides Turkey, Russia and Serbia.

In Romania, Poland, Hungary and Bulgaria signs of overheating economies are seen, indicated by an increased inflation rate. Nevertheless, the policy focus is continuing to stay on economic growth rather than on price stability, which is realized by both, a strong expansive

<sup>1</sup> See [www.wiiw.ac.at](http://www.wiiw.ac.at) (Astrov, Grübler: Osteuropa trotz dem globalen Gegenwind, Juli 2019)

fiscal and monetary policy. In most countries, however, there is no cause for concern with the exception of Romania. In Romania, the export growth could not keep up with the rising domestic demand, which led to an increased trade deficit even though there was a currency depreciation during the year.

One surprising development in the CESEE region is that export performance stayed robust in the face of the slowing global economy. Moreover, in most countries the exports were rising more than the imports so that the trade balance is now contributing a bigger size to the economic growth. This development is mainly owed to the improved competitive advantage and the therefore rising market shares in the Euro-Area. This development, however, cannot be observed in the Western Balkans, where the exports are declining.

The main driver for continuing growth in the region is the rising domestic demand. In the CESEE this is driven by the high employment rates which results in rising wages due to a stronger negotiating position for the employees. Due to the increasing demand also the prospect sales for the companies are increasing, which is leading to more investments and subsequently to higher growth. On the downside, the competitiveness could be suffering due to the rising costs regarding the higher wages, but this development cannot be observed until this point. The wages were also increasing in the Western Baltics, but there it was due to increasing minimum wages.

Especially in the Visegrad Countries (Czechia, Hungary, Poland and Slovakia), the labor shortage is particularly intense. One reason is the declining share of population in working age. There are two indicators for the growing shortage of labor: Firstly, the unemployment rate is very low and the countries are close to full employment and secondly, the share of open positions rose drastically from 0,9% in 2013 to 6,5% in the beginning of 2019. The biggest danger of this development is that the attractiveness of these countries worsens, especially regarding new big Greenfield investment projects. Until now, this could be counteracted with rising automation and robotization in particular because the degree of robotization in these countries is still relatively low in an international comparison.

The midterm outlook is less optimistic which is mainly due to the worsening of the global economic environment. Even though the slowing of the Euro-Area did not have a large impact on that region until now, this is very likely to change if the global economic slowdown continues. Another possible threat is the arising protectionism, especially the potential import tax on cars in the US. Nevertheless, the positive trend of rising wages and of attracting investments is very likely to continue for at least some time, even though the effect might weaken.

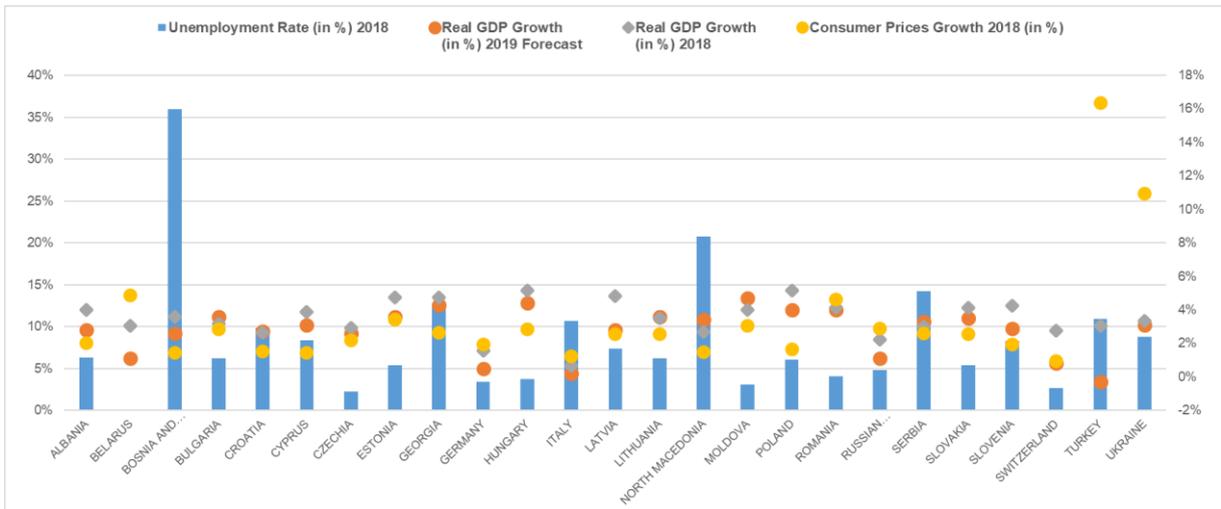


Table 2: Macroeconomic indicators (Sources: SNL; no data for Kosovo, Liechtenstein and Montenegro available; data: left-axis = unemployment rate, right-axis = growth rates)

## 1.3 Insurance Markets

### 1.3.1 Market Structure and Characteristics

Insurance markets relevant for Austrian insurance groups differ significantly regarding size, concentration and level of maturity. The indicators to be used to assess these market characteristics are the number of market participants, gross written premium volume, insurance penetration (i.e. premiums in % of GDP) and insurance density (i.e. premiums per capita).

The following graph shows insurance density and insurance penetration for life and non-life business for each country.

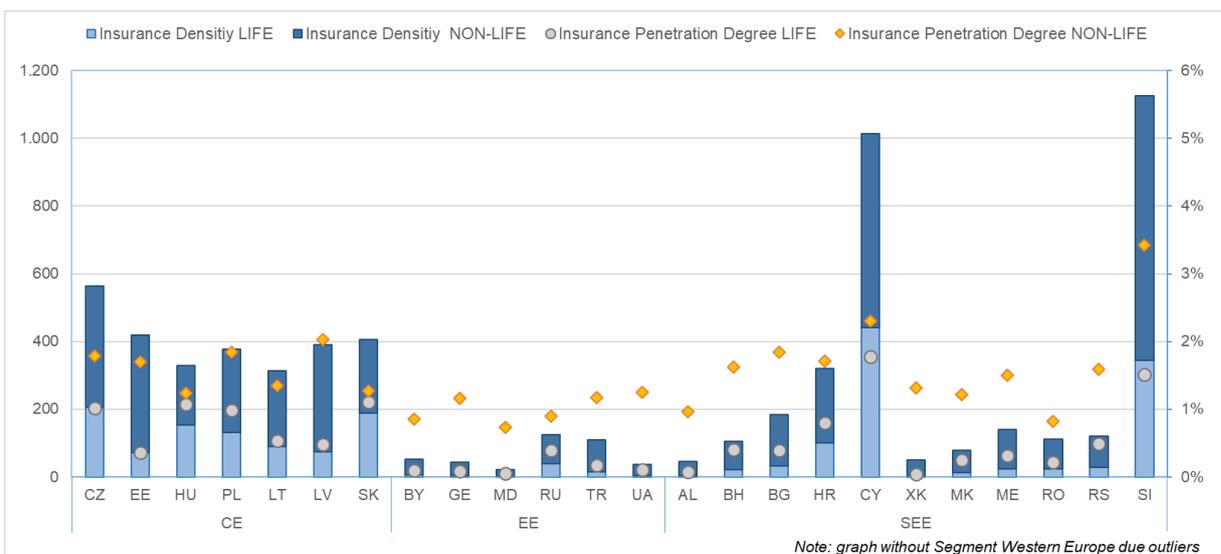


Table 3: Insurance Density and Insurance Penetration (life & non-life) per segment (Sources: X Primm; SNL; Swiss Re sigma) in 2018

The picture hasn't changed a great deal compared to the previous year. Insurance markets in Central Europe are still more mature, showing a significantly higher insurance density and insurance penetration than most of the markets in Eastern Europe and South Eastern Europe. As in the previous years, Slovenia and Cyprus are outliers in the SEE segment, showing significantly higher insurance market indicators than the other countries in this geographical segment.

In order to illustrate the CESEE insurance landscape, the size of the insurance markets measured by gross written premium volume is linked to the indicators insurance density and insurance penetration.

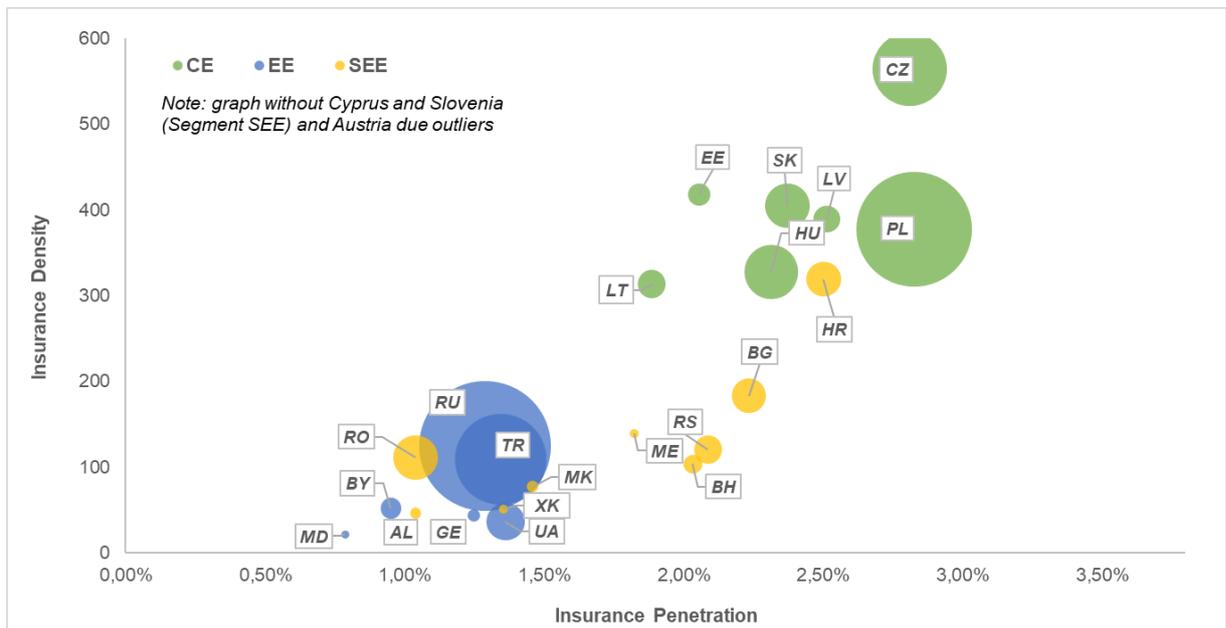


Table 4: Insurance Density, Insurance Penetration and GWP per Country in 2018 (Segment CE, EE, SEE) (Sources: X Primm; SNL; Swiss Re sigma)

As can be seen from the graph, insurance markets in the CESEE region are quite heterogenic. Regarding the market size (illustrated by the size of the bubbles), Russia, Turkey, Poland and the Czech Republic are by far the biggest markets. Insurance markets in Central Europe are already much more developed than insurance markets in Eastern Europe. The insurance markets of South Eastern Europe are mostly in the middle.

Insurance markets in Austria and Western Europe are much more developed with an insurance penetration of 4,5% for Austria (EU-average: 8,6%) and an insurance density over 2.000 EUR in Austria and the EU.

In comparison to the previous year, no significant shifts in the CESEE landscape have been observed.

### 1.3.2 Market Development

Information on insurance markets used in this chapter are mainly taken out of market reports published by X-Primm which is a media brand, incorporating several companies specialized in providing media products to the global re/insurance industry with the main focus on the CESEE and CIS regions.

The following table provides information on **insurance market premiums** of the relevant insurance markets, aggregated according to geographical segments:

Total Insurance Market (in Mio. EUR)	Gross Written Premiums		
	2018	2017	Δ in %
<b>AUSTRIA</b>	<b>18.527</b>	<b>18.134</b>	<b>↑ 2,17%</b>
<b>FOREIGN MARKETS</b>	<b>277.053</b>	<b>269.473</b>	<b>↑ 2,81%</b>
WE	209.337	201.722	↑ 3,78%
CE	28.064	27.914	↑ 0,54%
SEE	9.696	9.021	↑ 7,48%
EE	29.955	30.817	↓ -2,80%
<b>TOTAL</b>	<b>295.580</b>	<b>287.606</b>	<b>↑ 2,77%</b>

Table 5: GWP Development 2017-2018 per Segment (Sources: FMA Reporting Local GAAP per 31.12.2018 for Austrian business; X Primm and Swiss Re sigma for foreign business)

From an Austrian perspective and without consideration of reinsurance companies, the geographical segment Western Europe only includes the insurance markets of Germany and Liechtenstein. Even if it's by far the biggest segment regarding market size, it is not of significant importance for Austrian insurance groups.

The second largest geographical segment is Eastern Europe which also includes the huge insurance markets in Russia and Turkey. Even though Austrian insurance groups are represented in these markets, the business generated there is of less significance for Austrian insurance groups.

The insurance markets of Central Europe and South Eastern Europe are the most important ones for Austrian insurance groups. Central European markets show a slight increase in overall gross written premiums of 0,5% compared to the previous year, a more significant growth rate of 7,5% can be observed for South Eastern Europe.

In order to analyze trends of the more important insurance markets in more detail, the following table shows the development of gross written premiums per segment and per line of business including annual change:

Total Insurance Market (in Mio. EUR)	2018			2017			CHANGE GWP 2018/2017		
	Gross Written Premiums			Gross Written Premiums					
	Life	Non-Life	Total	Life	Non-Life	Total	Life	Non-Life	Total
<b>AUSTRIA</b>	<b>5.540</b>	<b>12.987</b>	<b>18.527</b>	<b>7.887</b>	<b>10.247</b>	<b>18.134</b>	<b>↓ -29,75%</b>	<b>↑ 26,75%</b>	<b>↑ 2,17%</b>
<b>FOREIGN MARKETS</b>	<b>103.497</b>	<b>173.448</b>	<b>277.053</b>	<b>107.896</b>	<b>161.559</b>	<b>269.473</b>	<b>↓ -4,08%</b>	<b>↑ 7,36%</b>	<b>↑ 2,81%</b>
WE	83.712	125.516	209.337	87.879	113.844	201.722	↓ -4,74%	↑ 10,25%	↑ 3,78%
CE	10.233	17.832	28.064	11.170	16.744	27.914	↓ -8,39%	↑ 6,50%	↑ 0,54%
SEE	2.525	7.172	9.696	2.377	6.644	9.021	↑ 6,20%	↑ 7,94%	↑ 7,48%
EE	7.027	22.928	29.955	6.470	24.328	30.817	↑ 8,60%	↓ -5,75%	↓ -2,80%
<b>TOTAL</b>	<b>109.037</b>	<b>186.435</b>	<b>295.580</b>	<b>115.783</b>	<b>171.806</b>	<b>287.606</b>	<b>↓ -5,83%</b>	<b>↑ 8,51%</b>	<b>↑ 2,77%</b>

Table 6: GWP Development 2017-2018 per Segment and per line of business (Sources: FMA Reporting Local GAAP per 31.12.2018 for Austrian business; X Primm and Swiss Re sigma for foreign business)

For **Central Europe**, life insurance lost momentum in most markets where the sector holds a large share of the GWP portfolio such as the Czech Republic, Hungary or Slovakia. With a drop of 14% of life insurance premiums, Poland – which is the market leader in the region - shows the most significant decrease in life insurance business. However, looking at each of these markets, it is hard to find common trends, as the reasons behind the negative change is the result of a combination of different factors, such as a tighter regulatory environment in multiple areas (e.g. consumer protection, distribution, fiscal treatment) and an overall negative sentiment around insurance investment products created by the low interest rate environment.

Non-life insurance lines fared better, recording a positive evolution in GWP volume. The Polish market also is the market leader in the non-life segment, a position supported in many respects by the higher level of market development and the country's bigger size.

Increasing car sales, mostly in the passenger cars segment, and rising tariffs (especially for MTPL), were the main growth drivers of the motor lines across the region. Countries like Lithuania, Romania and Hungary saw increases in passenger car sales of over 10%, while for other CEE markets car sales increased at lower paces. In addition, some of the national fleets have also seen second hand car registrations in big numbers, adding several hundred thousand cars to the insurance portfolio. The individual market dynamics were positive, except for Poland and Romania, each saw slightly negative growth rates in the MTPL line. The property insurance segment also saw an increase in gross written premiums.

In the insurance markets of **South Eastern Europe** a different trend in life insurance can be observed, especially, as the emergent life insurance markets of the Western Balkans recorded remarkable growth rates (e.g. Kosovo 20%, North Macedonia 15,5%, Slovenia 9,7%, Croatia 8,0%). However, it has to be considered that much of this growth is related to the increasing lending activity in the banking system, thus more or less to an obligation set by lending terms and not by an increasing awareness and appetite for life insurance. In the non-life segment, especially Bulgaria (+18,9%), Albania (+13%) and Croatia (+11%) show significant growth rates, mainly driven by increasing passenger car sales in the motor lines.<sup>2</sup>

---

<sup>2</sup> See X-Primm Insurance Report FY 2018 (Ghetu: The CEE Insurance Market in 2018, page 9-11)

### 1.3.3 Market Position

In some countries in Central Europe and South Eastern Europe, Austrian insurance groups have a high market share and therefore a dominant position on the local insurance market. In Western Europe Austrian insurance groups do not play a significant role on the local markets, therefore these countries are not considered in the following graph:

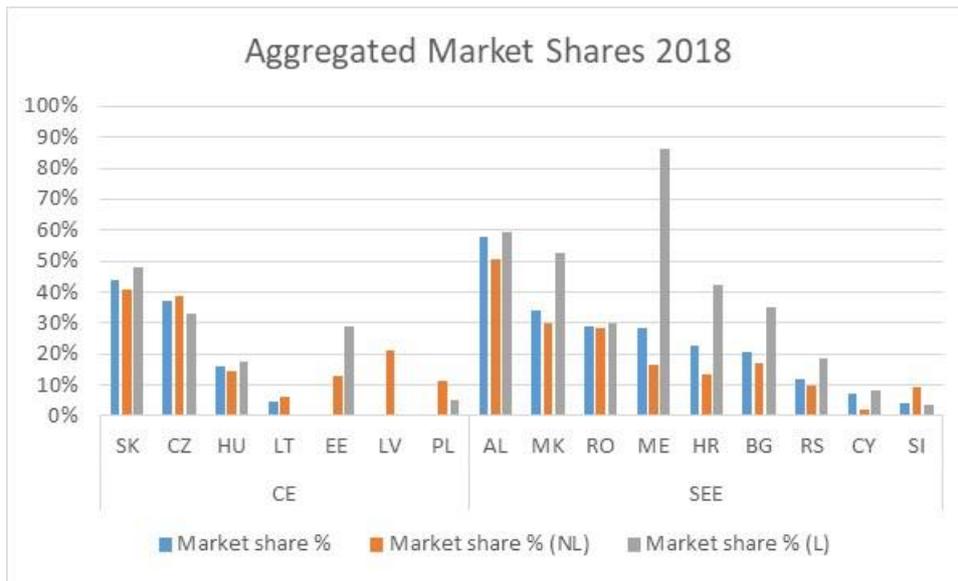


Table 7: Aggregated market shares of Austrian Insurance Groups for CE and SEE segment 2018 (Sources: Information Exchange Templates 2018 – reporting within the supervisory college)

In general, market positions differ significantly between the life and non-life insurance segment.

In Central Europe, Slovakia and the Czech Republic are the countries with the highest market shares of Austrian groups with the particularity of significant market positions in life and non-life insurance. The Baltic countries where only Vienna Insurance Group is represented by subsidiaries, show a quite diversified picture: In Estonia, Vienna Insurance Group reaches a market share of nearly 30% in life insurance, but in Latvia it's the non-life market share which accounts for 21%.

In South Eastern Europe (SEE), Austrian insurance groups, in general, have much stronger positions on the life insurance market. This results from the fact, that life insurance markets are still less developed and Austrian insurance groups entered into it rather early. Especially, the aggregated life insurance market share of 86% in Montenegro is noticeable. This results from strong market positions of 3 Austrian groups: GRAWE Group, VIG and UNIQA Group. In Albania, Austrian insurance groups dominate the insurance market in both lines of business. In North Macedonia and Romania market positions also are quite strong showing aggregated market shares near or beyond 30% in life and non-life insurance.

For the Non-EEA countries in Eastern Europe (EE), data on market shares are taken from the X-Primm Report<sup>3</sup>. Relevant markets in this geographical area are Turkey, Ukraine, Russia,

<sup>3</sup> See X-Primm Insurance Report FY 2018

Moldova, Georgia and Belarus. For these markets, information is only available for the TOP 5 life insurance and non-life insurance companies of the market.

In Turkey, Russia and Belarus Austrian insurance groups do not play a significant role on the local markets. There are no subsidiaries of Austrian insurance groups among the TOP 5 players, neither in life nor in non-life insurance.

In the Ukraine, the subsidiaries of UNIQA Group hold a significant market share: With a market share of 4,49%, the non-life subsidiary of UNIQA is the market leader. However, the Ukrainian non-life market is strongly fragmented, the TOP 5 non-life insurers unite an aggregated market share of only 20%. The situation on the life insurance market is different with an aggregated market share of the TOP 5 companies of nearly 78%. UNIQA Life holds the second position on the Ukrainian life insurance market with a market share of 4,16%.

In Moldova, the life insurance market consists of only two insurance companies. GRAWE Carat Asigurari which is a subsidiary of GRAWE Group is the absolute market leader having a market share of 98,87%. On the non-life market, the subsidiary of Vienna Insurance Group - Donaris VIG – has a market share of 13,54%, holding the second position on the Moldavian non-life insurance market.

In Georgia, the subsidiaries of Vienna Insurance Group hold significant market positions: In life insurance GPI Holding has a market share of 6,26% which means the fourth place on the market. On the non-life market, GPI Holding is the market leader with a market share of 20,53%.

## 2 FOREIGN INSURANCE BUSINESS

The analyses in this section include figures on premiums of all domestic and foreign insurance undertakings being part of one of the five Austrian insurance groups.

Premiums reported are written premiums (direct and indirect business) net of reinsurance ceded. All data refer to local financial statements using local GAAP or IFRS accounting.

### 2.1 Premium Development

#### 2.1.1 Share of Foreign Business

In 2018, Austrian insurance groups achieved an aggregated written premium volume (domestic and foreign business) of 14,3 Bn. EUR (2017: 13,9 Bn. EUR). Foreign business via subsidiaries accounts for a share of 40,3% (2017: 39,8%).

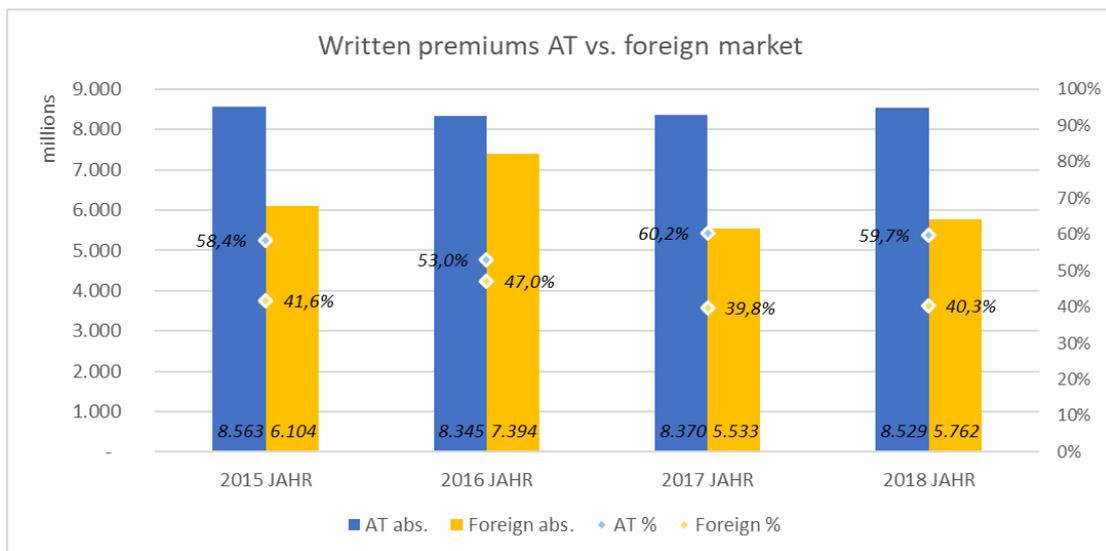


Table 8: Share of Foreign Business (Source: FMA Reporting per 31.12.2018)

## 2.1.2 Allocation of Premiums

As already presented in Chapter 1.1. of this report, Austrian insurance groups are active in various countries with a strong focus on the CESEE region. This is also reflected by an allocation of the aggregated premium volume according to geographical segments.

In EUR	Written premiums (net of reinsurance ceded)	Premium Share in % of Total Premiums
<b>Austria</b>	<b>8.528.690.774</b>	<b>59,7%</b>
<b>Foreign Business</b>	<b>5.762.239.028</b>	<b>40,3%</b>
CE	3.824.793.279	26,8%
EE	367.760.228	2,6%
SEE	1.276.427.039	8,9%
WE	293.258.483	2,1%
<b>TOTAL</b>	<b>14.290.929.802</b>	<b>100,00%</b>

Table 9 Written premiums (net of reinsurance ceded) in EUR and foreign business ratio according to geographical segments (Source: FMA Reporting per 31.12.2018)

Going one step further, written premiums not only are allocated to geographical segments but to country level. It can be seen that nearly 70% of total foreign premium volume is generated in 6 countries: Czech Republic, Poland, Slovakia, Romania, Hungary and Croatia. These countries are classified as key markets for Austrian insurance groups.

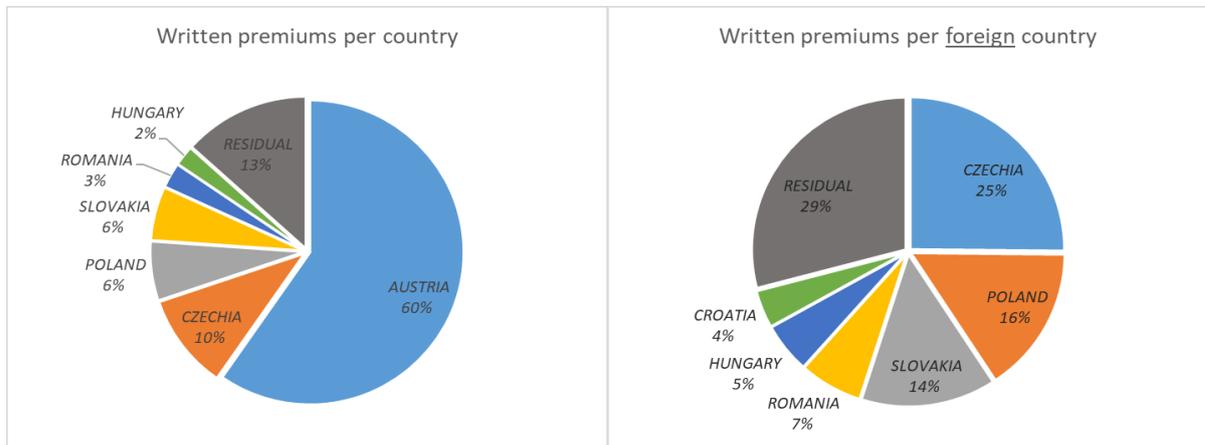


Table 10 – Premium Share in % per foreign country (left graph with Austria; right graph: without Austria); (Source: FMA Reporting per 31.12.2018)

In addition to these six countries, the premium development in the Baltic countries has to be monitored. For the purpose of the analysis, Estonia, Lithuania and Latvia are considered as one country – the “Baltics”. Written premiums generated in the Baltics amounted to 351,3 Mio. EUR in 2018, which means a premium share of 6,1% of total foreign premium volume.

## 2.2 Cross-border business via Branches and Free Provision of Services

Austrian insurance groups not only operate abroad via subsidiaries but also use the system of free provision of services and/or branches to generate business.

Business generated via branches or free provision of services is included in the financial statements of the domestic insurance undertaking.

Considering the five Austrian insurance groups, premium volume of about 1,01 Bn. EUR results from operations via branches and/or free provision of services. With a share of nearly 93%, the major part of premiums accounts for Free Provision of Services.

Written premiums generated by free provision of services amounted to 939,9 Mio. EUR in total in 2018. However, it has to be considered that the major part of this premium volume is attributed to the reinsurance business of one insurance group, therefore only direct business is considered which in total amounts to about 163 Mio. EUR.

The distribution of written premiums according to countries shows that the most significant part of cross border business via free provision of services is achieved in three countries.

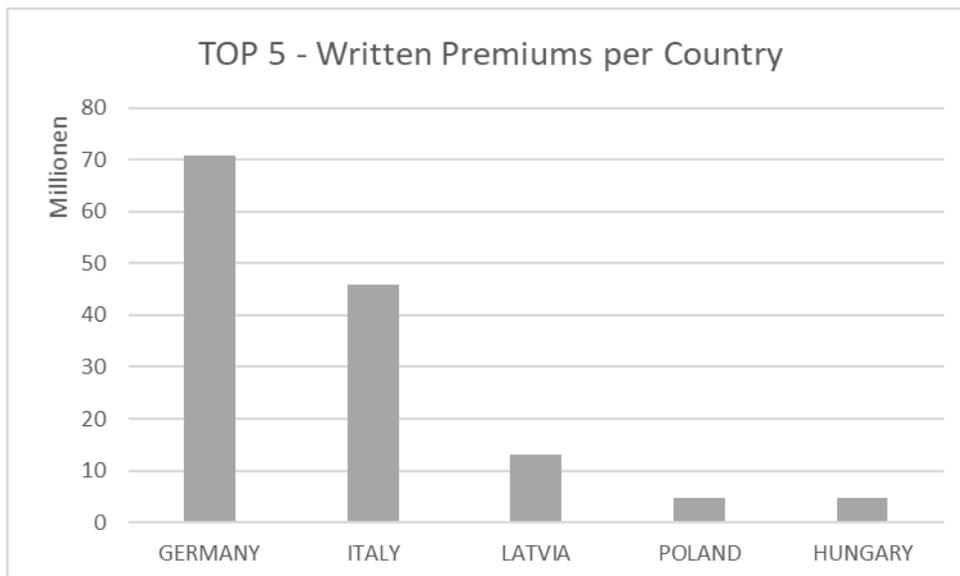


Table 11: TOP 5 countries - written premiums by free provision of services (Source: QRT Reporting 31.12.2018)

## 2.3 Group Solvency

All Austrian insurance groups recorded sufficient group solvency ratios for 2018 ranging between 195% and 272%.

### 3 ANALYSIS OF KEY MARKETS

All insurance markets relevant for Austrian insurance groups are categorized according to their premium share, i.e. the relation of written premiums generated in a country to the total foreign written premium volume of Austrian groups. Insurance markets with a premium share above 4% are defined a key market.

Based on the figures at the end of 2018, six key markets for Austrian insurance groups were defined: Czech Republic, Poland, Slovakia, Romania, Hungary and Croatia.

The list of key markets has not changed compared to the previous year. Over 70% of total foreign premium volume of Austrian insurance groups was generated in these key markets in 2018 (2017: 73%).

The analysis of key markets not only deals with the structure and recent developments of the individual insurance markets but also with a risk assessment, taking into consideration macroeconomic conditions, important political, legal and regulatory changes as well as the level of supervisory cooperation.

In the following sections, the results of the key markets analyses are presented in order of the premium share.

### 3.1 Czech Republic

Population (mil)		10,67
Real GDP Growth		2,94%
Real GDP Growth Forecast 2019		2,60%
Unemployment rate		2,23%
S&P Credit Rating		AA-

Table 12: Macroeconomic Key Indicators 2018 Czech Republic (Source: SNL)

Performance in 2019-2020 will conform to the recent moderate growth pattern. Private consumption is dissociated from the rapidly rising household incomes pushed upward by fast rising wages. The EU funds supporting high infrastructural investment are largely exhausted. The business sector is not keen on undertaking massive investment. Responding to higher (but still moderate) inflation, the National Bank cautiously raises its policy rate. Fiscal policy remains stability-oriented.<sup>4</sup>

#### 3.1.1 Insurance Market Overview

##### 3.1.1.1 Development and Results 2018

At the end of 2018, gross written premiums amounted to about 6.027 Mio. EUR, which is an increase of 2,1% compared to the previous year. The market results denominated in local currency show a slightly higher market growth rate of 2,8%.

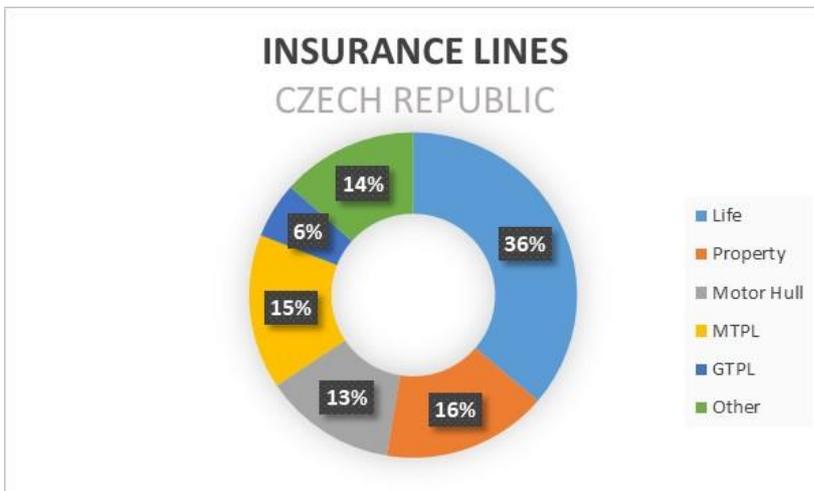


Table 13: Insurance Lines in Czech Republic 2018 (Source: X Primm Report 2018)

About 36% of gross written premiums account for life insurance and about 28% for motor lines (MTPL and Motor hull). Life insurance saw an apparently stagnant evolution. Motor insurance lines show the highest growth rates, providing for most of the extra premium volume. The

<sup>4</sup> See WIIW Country Expertise Overview (<https://wiiw.ac.at/czech-republic-overview-ce-5.html>)

sector's balance, however, is still volatile with average losses growing faster (around 7%) than average premiums (3%).

### 3.1.1.2 Update Half Year 2019

The first HY/2019 results provided by the Czech National Bank show a positive market dynamic, with overall GWP increasing by 9,14%, to 3,3 Bn. EUR, a volume that includes the premium production of all Czech players, regardless the risk domicile, as well as the results achieved by the branches of foreign insurers operating on the local market. The slightly y-o-y appreciation of the Czech currency against Euro leads to improved growth rates for the market data denominated in European currency.

The life insurance segment (Life and health insurance, incl. reinsurance, total) totaled GWP of 1,2 BN. EUR, 10,25% up y-o-y, recording a better dynamic than in 2018. One of the most significant changes in the sector's evolution was the growth recorded by the single payment products, which according to CAP (i.e. Czech Insurance Association) data saw an almost 32% y-o-y increase in premiums, after the double digit negative rate of 2018.

However, the number of newly concluded life insurance contracts is still decreasing, and thus the total number of active policies also fell by about 2,2% y-o-y. The good news is that also the number of surrendered policies has significantly decreased by comparison with the previous years, showing a somehow stabilizing trend.

On the non-life side, among the lines with a significant share in the portfolio, motor insurance classes have recorded the best growth rates, mostly supported by the increasing cars sales. The property insurance line saw a 3,4% increase in GWP, to 525,5 Mio. EUR. On the other side, claims paid went by about 21%, to 204,8 Mio. EUR, driven by the extreme weather events that have affected the country.<sup>5</sup>

The Czech Republic intends to change tax law related to insurance. On the basis of the current proposal, the difference between local GAAP and SII technical provisions should be subject to a new tax, leading to a onetime tax effect. This proposal was already approved by government but not yet by the parliament.

---

<sup>5</sup> See X-Primm Report HY 2019

### 3.1.1.3 Market Structure

The biggest company on the Czech insurance market is Česká pojišťovna followed by Kooperativa pojišťovna (subsidiary of Vienna Insurance Group) and Allianz pojišťovna. The market shares of these three companies remained almost unchanged and accounted together for half of total market premiums in the reporting period in the Czech Republic.

Insurance Undertaking	Market Share 2018 in %
<b>TOP 3 - Life insurance</b>	
Ceska Pojistovna	17,13%
Pojistovna Ceske Sporitelny	15,88%
Kooperativa Pojistovna	15,13%
<b>TOP 3 – Non Life insurance</b>	
Ceska Pojistovna	23,70%
Kooperativa Pojistovna	21,22%
Allianz Pojistovna	11,92%

Table 14: TOP 3 market shares in the Czech Republic 2018 (Source: X Primm Report 2018)

For 2019, the merger of the Kooperativa Pojistovna and Pojistovna Ceske Sporitelny was performed which will also led to shifts in the market shares.

In March 2019, Bulgaria-based Euroins Insurance Group (EIG) has made a purchase agreement with Germany-based ERGO International AG, to take over both the life and non-life subsidiaries.

Ceska pojist'ovna announced it will merge with the Czech branch of Generali, thus creating the largest local insurer in terms of total market share. By the end of 2019, Generali's insurance portfolio should be transferred to Ceska pojist'ovna.<sup>6</sup>

### 3.1.2 Austrian Insurance Groups

UNIQA Group and Vienna Insurance Group operate with insurance subsidiaries in the Czech Republic which account for an aggregated market share of 37%. In absolute figures premiums in the amount of nearly 1.620 Mio. EUR are generated by Austrian groups, making the Czech Republic the most important foreign insurance market with a premium share of nearly 25% of total foreign business.

<sup>6</sup> See X-Primm Report 1HY 2019

## 3.2 Poland

Population (mil)	38,25
Real GDP Growth	5,15%
Real GDP Growth Forecast 2019	4,00%
Unemployment rate	6,08%
S&P Credit Rating	A-

Table 15: Macroeconomic Key Indicators 2018 Poland

The fast GDP growth shows no signs of abating. Expanding public consumption financed by high and rising public debt is one component of the present ('populist') economic policy. Upward pressure on wages is considerable, reflecting tight labour markets. Investments by the private business sector remain of critical importance, in particular because EU co-financing of national investment outlays may be less generous (especially from 2020 on) than it used to be.<sup>7</sup>

### 3.2.1 Insurance Market Overview

#### 3.2.1.1 Development and Results 2018

Poland is the "flagship market" of the CESEE region. At the end of 2018, gross written premiums amounted to about 14.458 Mio. EUR, which indicates a decrease of about 3,3% compared to the previous year.

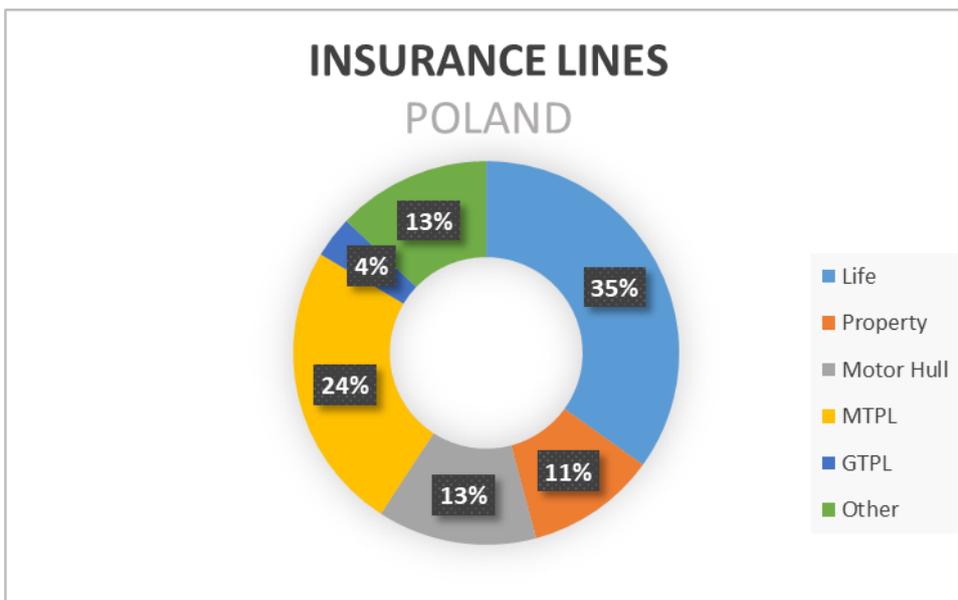


Table 16: Insurance Lines in Poland 2018 (Source: X Primm Report 2018)

<sup>7</sup> See WIIW Country Expertise Overview (<https://wiiw.ac.at/poland-overview-ce-8.html>)

About 35% of gross written premiums account for life insurance and nearly 38% of premiums for motor lines (MTPL and Motor hull).

Life insurance maintained a negative trend, with GWP decreasing by 14,3% to 5.048 Mio. EUR in 2018. PPK, a new form of private pension product is expected to help reversing the negative trend.

On the non-life side, the property insurance segment saw the best dynamic with an increase in GWP of about 5,8% to 1.578 Mio. EUR. Regarding motor lines, with 5,2% Motor Hull shows the most significant increase in gross written premiums. However, similar increase rates were also seen on the paid claims side, in part as a result of Supreme Court Ruling, asking insurers to pay compensation for permanent disability not only to the victim, but also to his/her close relatives.<sup>8</sup>

### 3.2.1.2 Update Half Year 2019

At the end of 1HY 2019, Poland ended with only a modest increase in GWP, of 2,65%, to 7,56 Bn. EUR. The positive trend was entirely due to the GWP growth on the non-life side of 5,36% up to 5,07 Bn. EUR. The life insurance sector remained on the downside path it follows already since some years, with GWP decreasing by 2,45% y-o-y, a trend established mostly because of the massive decline witnessed on the Unit-Linked line.

On the non-life side, most business lines saw a positive dynamic. Motor insurance lines provided for the largest contribution to the higher premium volume. The increasing cars sales had an important role to play in the market's positive evolution, considering that at least on the MTPL side, prices were stable. In fact, the most visible impact was recorded on the Motor Hull line, for which GWP increased by 7,23% to 1,04 Bn. EUR. Property insurance saw an overall positive evolution (3,3% increase in GWP). However, in 1HY 2019 the country was confronted with several episodes of extreme weather events. Therefore, claims paid for the fire insurance line increased by over 20% y-o-y.<sup>9</sup>

### 3.2.1.3 Market Structure

The domestic insurance company PZU with a market share of more than one third clearly dominates the Polish insurance market. On the life insurance market, AVIVA achieved the second rang in 2018.

Insurance Undertaking	Market Share 2018 in %
<b>TOP 3 - Life insurance</b>	
PZU Zycie	38,13%
AVIVA	8,81%
Open Life	7,26%
<b>TOP 3 – Non Life insurance</b>	
PZU	32,13%
ERGO Hestia	15,05%
WARTA	13,79%

Table 17: TOP 3 market shares in Poland 2018 (Source: X Primm Report 2018)

<sup>8</sup> See X-Primm Report FY 2018

<sup>9</sup> See X-Primm Report 1HY 2019

In June 2018, Vienna Insurance Group signed an agreement to buy the Polish non-life insurer Gothaer T.U.

### 3.2.2 Austrian Insurance Groups

Poland is the second largest foreign insurance market for Austrian groups with roughly 899 Mio. EUR of written premiums. Vienna Insurance Group and UNIQA Group are active via various subsidiaries on the Polish Insurance Market. In 2018, Vienna Insurance Group merged Polisa Zycie TU into Vienna Life TU na Zycie.

### 3.3 Slovakia

Population (mil)	5,45
Real GDP Growth	4,11%
Real GDP Growth Forecast 2019	3,50%
Unemployment rate	5,42%
S&P Credit Rating	A+

Table 18: Macroeconomic Key Indicators 2018 Slovakia

Slovakia’s growth decelerated sharply in the second quarter of 2019 due to declining exports and investments. Growth in the key automotive industry turned negative in June. Growth will slow down in the coming years, with forecasts for this and next year amounting to 2,3% and 2,2%<sup>10</sup>.

#### 3.3.1 Insurance Market Overview

##### 3.3.1.1 Development and Results 2018

At the end of 2018, gross written premiums amounted to about 2.208 Mio. EUR, which indicates an increase of 3,42% compared to the previous year.

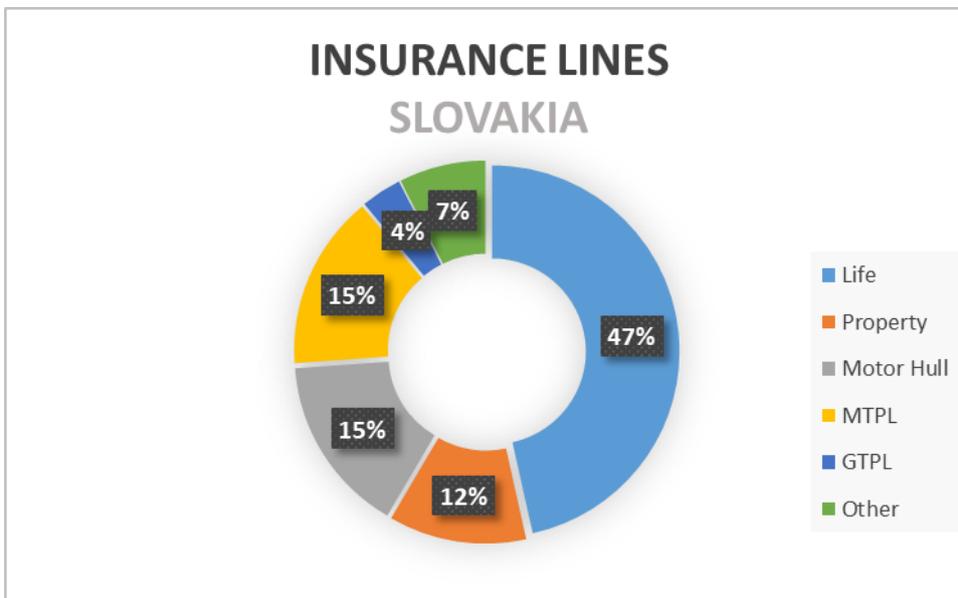


Table 19: Insurance Lines in Slovakia 2018 (Source: X Primm Report 2018)

The life insurance segments which accounts for about 47% of the total market, experienced a decrease in premiums of 4,3% to 1.027 Mio. EUR, mostly driven by a decrease reported by policies with profit participation. The Unit-linked line saw a positive development, but not enough to compensate for the business premium shrinkage in the other lines.

<sup>10</sup> See WIIW Country Expertise Overview (<https://wiiw.ac.at/slovakia-overview-ce-12.html>)

The non-life classes show an increase in GWP by 7,9%, mostly driven by the motor insurance lines and income protection insurance (permanent health insurance). Motor insurance classes account for about 30,5% of the market GWP portfolio, a share rather equally divided between Motor Hull and MTPL lines.

The new 8% Insurance Premium Tax (IPT) came into force in January 2019 replacing the 2017 Premium Levy and applies to the following conditions:

- Non-life insurance segments only, excluding MTPL which is taxed differently (also reinsurance is not subject to tax)
- The risk related to Slovak territory (e.g. insured properties located inside the country's borders, vehicles registered in Slovakia, or insured persons/entities with residence in Slovakia)

The tax rate's level is 8% of the tax base. The cost of the tax is supported by the final consumer (insurer collects the IPT and directs it to the authorities).<sup>11</sup>

### 3.3.1.2 Update Half Year 2019

The Slovak market finished the first semester of 2019 with a GWP volume of 1.166 Mio. EUR, which means an increase of 2,6% y-o-y. (+2.6%). Life sector held a share of 43,2% in total GWP, while the rest of 56,2% of GWP was brought by non-life business lines.

Life sector at the end of first half of 2019 reached a GWP volume of 504 Mio. EUR (+1,5%). Ranked by their GWP volume, the largest life segment, "Insurance with profit participation", amounted to 254 Mio. EUR (+2,7%), while the second largest line of life insurance GWP, "Indexlinked and unit-linked", was of 126 Mio. EUR (+1,2%) - an exception considering the Unit-linked landscape in CEE, which decreased substantially in volume in 1HY 2019.

The non-life portfolio structure remained almost unchanged year-on-year, regarding the market weights of main business lines, with an exception on GTPL, who shrunk by 9,5%, down to 44 Mio. EUR (1HY 2018: 49 Mio. EUR). Non-life paid claims amounted to 315 Mio. EUR (+11,1%), most of the claims coming from the two main Motor lines which paid 227 Mio. EUR combined together.<sup>12</sup>

### 3.3.1.3 Market Structure

The subsidiaries of Austrian insurance groups play an important role on the Slovakian insurance market. In the last two years, no more data on market shares were publicly available. On the basis of Austrian insurance groups' reporting, the subsidiaries of Austrian groups achieved an aggregated market share of 44% of the total market (non-life market: 41%, life market: 48%) in 2018.

Some M&A highlights from the first half of 2019 include the selling of AEGON units to NN and ACHMEA (UNION) and the GENERALI's purchase of ERGO business.

---

<sup>11</sup> See X-Primm Report FY 2018

<sup>12</sup> See X-Primm Report 1HY 2019

### 3.3.2 Austrian Insurance Groups

Three Austrian insurance groups carry out business via subsidiaries on the Slovakian insurance market. Those entities generate premiums in the amount of 818 Mio. EUR making Slovakia ranked third of foreign business markets.

Concerning Vienna Insurance Group, the merger of Poistovna Slovenskej Sporitelne and Kooperativa Poistovna took place in 2018.

### 3.4 Romania

Population (mil)	19,51
Real GDP Growth	4,10%
Real GDP Growth Forecast 2019	4,00%
Unemployment rate	4,10%
S&P Credit Rating	BBB-

Table 20: Macroeconomic Key Indicators 2018 Romania

Economic growth is even stronger than last year, and could reach 4,2% in 2019, driven by household consumption and investment. Monetary and fiscal policy remains loose. Expanding deficits can be easily financed due to abundant international liquidity, albeit at a relatively high cost, constituting a burden for the future. Weaker external demand is already feeding through to industrial production, and will act as a barrier to growth in the future. We expect the interim government to take steps to curtail the fiscal deficit in 2020<sup>13</sup>.

#### 3.4.1 Insurance Market Overview

##### 3.4.1.1 Development and Results 2018

At the end of 2018, gross written premiums amounted to about 2.174 Mio. EUR, which indicates an increase of 4,4% compared to 2017.

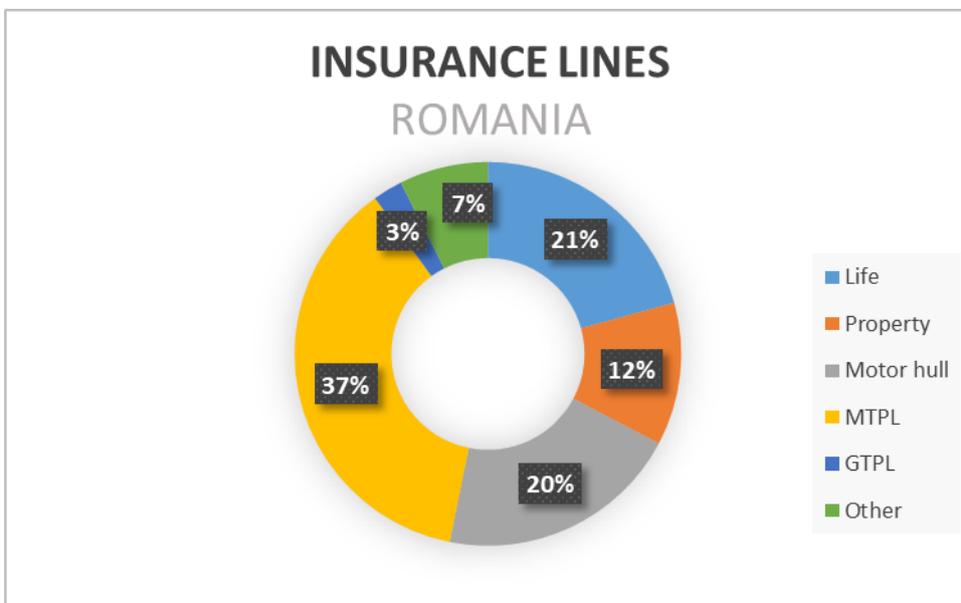


Table 21: Insurance Lines in Romania 2018 (Source: X Primm Report 2018)

The market remained focused on non-life insurance. The gross written premiums related to non-life insurance amounted to 17,72 Mio. EUR in 2018, increasing by 4,6% compared to the previous year. In the non-life portfolio, motor insurance lines account for almost 75% of the

<sup>13</sup> See WIIW Country Expertise Overview (<https://wiiw.ac.at/romania-overview-ce-9.html>)

GWP with MTPL dominating the portfolio. The total amount of MTPL written premiums decreased by 2,2% y-o-y, mostly as a result of decreasing tariffs. The adverse development is obvious: The annual MTPL average premium decreased by about 12% y-o-y, reaching 612 RON. At the same time, the average claim paid increased by about 9% to 7.812 RON.

The life insurance segment accounts for only 21% of market GWP. During the last two years (2017-2018) the life insurance segment gained some momentum, especially in 2017, when it increased y-o-y by 21% in GWP terms. In 2018, life insurance premiums increased by only 4% y-o-y.

#### 3.4.1.2 Update Half Year 2019

The Romanian insurance market advanced by 6,1% in the first half of 2019, reaching a value of about 1,15 Bn. EUR. It remains oriented towards the activity of non-life insurance, which holds a share of 79% of the total gross written premiums.

Life insurance GWP amounted to about 237,5 Mio. EUR, up 3% up y-o-y. Also, a high degree of concentration was maintained in the first semester of 2019, so that the first 2 companies in terms of volume of GWP for the life insurance activity have a cumulative market share of 54%.

The bad news came from the paid claims side, where almost all insurance classes have seen double-digit growth rates in the claims expenses, up to a total of 17,5% up y-o-y. Overall, there is a discrepancy between the premiums and claims growth rates. For example, on the MTPL line, while the average premium went by about 2% y-o-y, the average claim increased by 11,7%.

The Romanian insurance supervision authorities reported on the recent legislative projects. Besides the transposition of the IDD, a new regulation for mutuals has been established.

The number of insurance companies decreased by about 25% in the last years. The local MTPL market is characterized by a strong price competition and increasing market concentration: EURINS and CITY Insurance considered together have a market share of nearly 70%.

### 3.4.1.3 Market Structure

The insurance market of Romania is characterized by a medium to high degree of concentration. In 2018, approximately 89% of total gross written premiums were achieved by 10 insurance companies out of 29 companies performing insurance/reinsurance activity.

In life insurance as well as in non-life insurance, a subsidiary of Vienna Insurance Group is among the TOP 3 market players.

Insurance Undertaking	Market Share 2018 in %
<b>TOP 3 - Life insurance</b>	
NN Asigurari de Viata	36,73%
BCR Asigurari de Viata VIG	17,39%
BRD Asigurari de Viata	8,71%
<b>TOP 3 – Non Life insurance</b>	
CITY Insurance	18,47%
OMNIASIG VIG	14,58%
ALLIANZ Tiriac	14,58%

Table 22: TOP 3 market shares in Romania 2018 (Source: X Primm Report 2018)

### 3.4.2 Austrian Insurance Groups

In 2018, the Romanian subsidiaries of Austrian insurance groups generated written premiums of about 383 Mio. EUR (2017: 448 Mio. EUR). The sharp decrease in non-life premiums is linked to the difficult situation on the MTPL market.

### 3.5 Hungary

Population (mil)	9,71
Real GDP Growth	5,14%
Real GDP Growth Forecast 2019	4,40%
Unemployment rate	3,73%
S&P Credit Rating	BBB

Table 23: Macroeconomic Key Indicators 2018 Hungary

Hungarian economic growth was strong in the first half of 2019, but the signs of a deceleration are already discernible. In Q2 compared to Q1, investment growth slowed notably, while the external environment deteriorated. From next year, EU transfers will drop by a substantial degree, further weighing down investment. Labor shortages will remain problematic, and increase the upward pressure on wages. A significant slowdown of economic growth over the forecast horizon is expected, from 4,3% this year to 3,1% in 2020 and to 2,6% in 2021.<sup>14</sup>

#### 3.5.1 Insurance Market Overview

##### 3.5.1.1 Development and Results 2018

At the end of 2018, gross written premiums amounted to about 3.185 Mio. EUR which indicates an increase of about 4,19%. In local currency, gross written premium volume reached 1.024 Bn. HUF, surpassing the 1.000 Bn-threshold for the first time. Given the almost 5% y-o-y depreciation of the Hungarian Forint against the Euro, the market growth rate reached a higher level of 7,1% of total GWP.

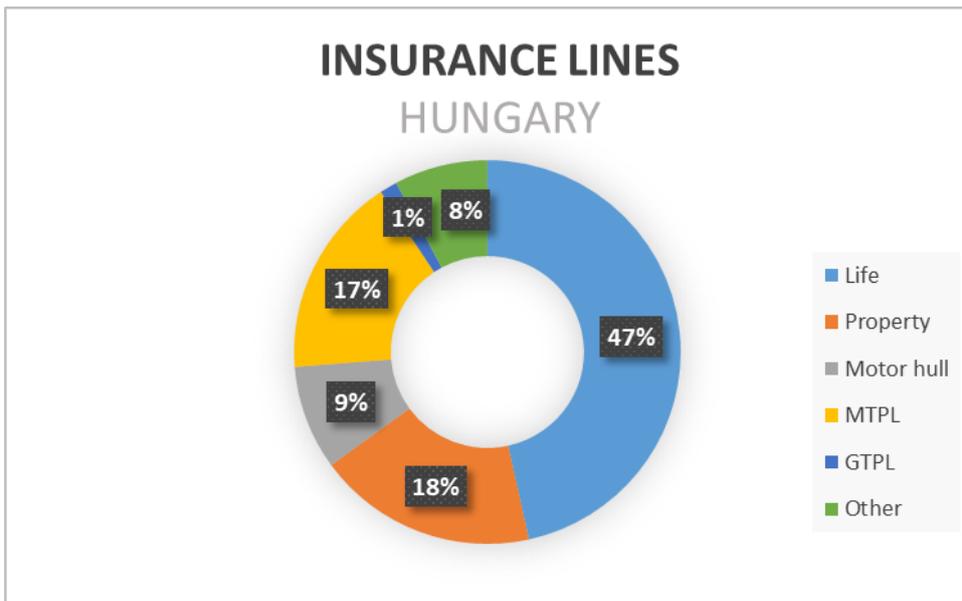


Table 24: Insurance Lines in Hungary 2018 (Source: X Primm Report 2018)

<sup>14</sup> See WIIW Country Expertise Overview (<https://wiiw.ac.at/hungary-overview-ce-6.html>)

The life insurance sector lost about 1,5 percentage points of its weight in the market portfolio. While premiums for endowment life insurance policies increased by 16% y-o-y, the unit-linked lines saw a strong decline, losing almost 4pp of its weight in the market portfolio. In the non-life sector the mandatory MTPL insurance line had the strongest dynamic with GWP increasing by 10%. In motor insurance, the number of contracts grew by about 265.000 units, mostly as a result of the increasing car sales of new passenger cars as well as the record sales of second-hand cars.

With regard to claims development, there were fewer extreme weather events, therefore claims paid for property insurance decreased by 18 y-o-y. With a coverage rate over 70%, Hungary is one of the countries with the highest coverage rates in residential properties. However, to further improve it, the Central Bank of Hungary intends to adopt some measures that may increase competition in this market segment leading to cheaper prices or higher standards of service for the same expense.

### 3.5.1.2 Update Half Year 2019

In the 1HY 2019, GWP rose by 14% y-o-y to about 1,8 Bn. EUR according to the market data published by the National Bank of Hungary (MNB). Life GWP rose by nearly 8%, while non-life GWP went up by over 19%.

The sharp increase in non-life premium income reflects the fact that from 1 January 2019, in case of MTPL insurance, an insurance tax replaced the previous accident tax, meanwhile phased out, (at a tax rate of 23%). The new tax is payable as part of the insurance premium, providing for the increase in premium income, the MNB report explains.

In fact, MTPL was one of the most dynamic insurance classes during 2019, showing an increase in GWP of nearly 34% y-o-y. The Motor Hull line also saw a 13,6% increase in GWP, while insurers expectations for year-end are even more optimistic, given that as of July 1, families with at least three children are getting financial support for the acquisition of a car (no older than one year and with a price limit of 2,5 Mio. HUF). According to official data, nearly 9.000 families have already taken advantage of the opportunity and another 7.000 subsidized car purchases are expected in the next two and a half years. Insurers have prepared dedicated "family-friendly Casco" products. Together with the increasing sales of new cars, this measure is expected to give some impetus to the specialty market.

### 3.5.1.3 Market Structure

In the last two years, no more data on market shares were published. On the basis of Austrian insurance groups' reporting, the subsidiaries of Austrian groups achieved an aggregated market share of 16% of the total market (non-life market: 14%, life market: 18%) in 2018.

In 2018 and the beginning of 2019, the Hungarian insurance market experienced two important structural changes:

- Vienna Insurance Group merged its three subsidiaries into one company, thus from 1. April 2018 VIG is represented in Hungary solely by the insurance company UNION Biztosító.

- GENERALI Biztosító has acquired the entire Hungarian insurance portfolio (life and non-life insurance) of ERGO. The transaction was first announced in April 2019 as part of a larger agreement between Generali CEE Holding and ERGO Austria International.

### 3.5.2 Austrian Insurance Groups

Three Austrian insurance groups carry out business via subsidiaries on the Hungarian insurance market. Those entities generated total written premiums of roughly 300 Mio. EUR.

### 3.6 Croatia

Population (mil)	4,16
Real GDP Growth	2,63%
Real GDP Growth Forecast 2019	2,70%
Unemployment rate	9,84%
S&P Credit Rating	BBB-

Table 25: Macroeconomic Key Indicators 2018 Croatia

The economy will grow by 2,9% in 2019, an improvement in comparison to the last year, mainly due to the strengthening of domestic demand (both consumption and investment). Assuming a deterioration of the external environment, domestic demand should remain the main driver of growth in 2020-21. The goal of adopting the euro will be an incentive to continue fiscal consolidation.<sup>15</sup>

#### 3.6.1 Insurance Market Overview

##### 3.6.1.1 Development and Results 2018

At the end of 2018, gross written premiums amounted to about 1.329 Mio. EUR, which means an increase of 10,3% compared to the previous year.

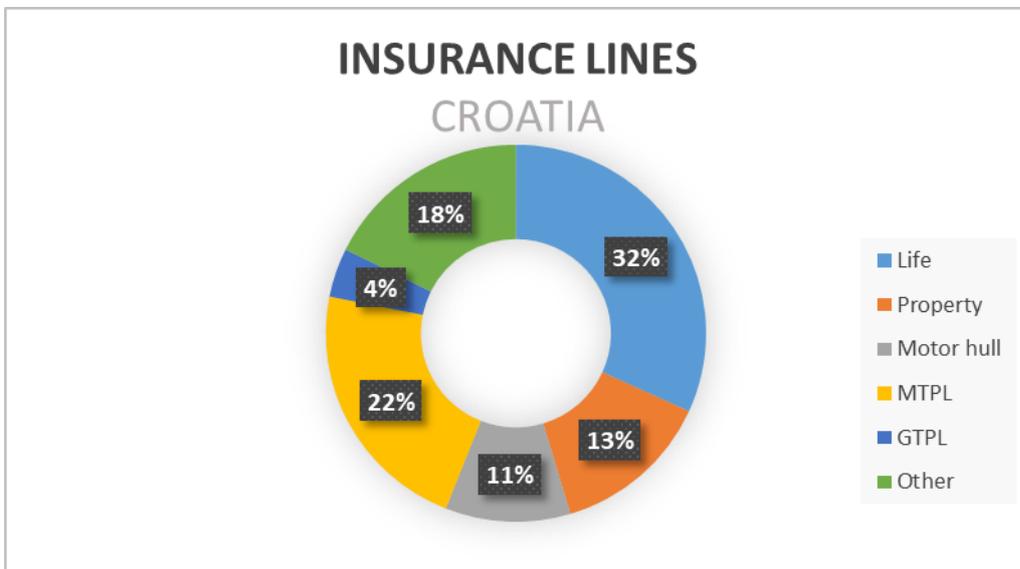


Table 26: Insurance Lines in Croatia 2018 (Source: X Primm Report 2018)

The market portfolio is still dominated by non-life insurance, only 32% of GWP accounts for life insurance. In absolute terms, it was also the non-life insurance segment that generated three quarters of market growth, half of this contribution by the motor insurance lines. Property insurance also recorded a 12,2% increase in GWP, most of it coming from the property damages line. The traditional life insurance segment saw a significant increase in GWP of

<sup>15</sup> See WIIW Country Expertise Overview (<https://wiiw.ac.at/croatia-overview-ce-4.html>)

nearly 16% y-o-y, but its performance was partially canceled by the negative change in the Unit-linked line (-17,6% y-o-y).

Regarding claims developments, in property insurance claims paid went up by almost 15%, most likely because of weather-related events that affected the country. In the motor lines, it's motor hull insurance that shows an increase in claims paid of 18,6% y-o-y, however, GWP also increased by 20,24% compared to the previous year. Indemnities paid for life insurance contracts went up by 14,15% y-o-y.<sup>16</sup>

### 3.6.1.2 Update Half Year 2019

The first half of 2019 ended for the Croatian insurance market with aggregated GWP of 784 Mio. EUR, 7,5% up y-o-y, a growth almost entirely provided by the non-life insurance segment. On the life insurance side, the 4,8% y-o-y growth recorded on the traditional life insurance class, accounting for 80% of the life insurance portfolio, has barely succeeded in offsetting the negative trend seen on the other life insurance classes, especially of the Unit-Linked products.

In non-life, the Motor Hull class has provided for the largest contribution to the market growth. Thus, motor insurers wrote by about 23.000 more policies on the Motor Hull class, recording a 18,7% y-o-y growth in GWP, to 89,7 Mio. EUR. The MTPL class also recorded a positive dynamic, but at a slower pace with a growth rate of 4,5% y-o-y.<sup>17</sup>

### 3.6.1.3 Market Structure

Croatia Osiguranje remains the undisputed market leader, accounting for almost 28% of the market GWP and over 32% of the non-life business in 2018. Allianz Zagreb ranks second with a total market share of almost 12%, followed by Euroherc Osiguranje with a market share of 11,4%. On the life insurance market, Wiener Osiguranje which is a subsidiary of Vienna Insurance Group holds the third place with a market share of 13,5%.<sup>18</sup>

Insurance Undertaking	Market Share 2018 in %
<b>TOP 3 - Life insurance</b>	
CROATIA Osiguranje	18,02%
ALLIANZ Zagreb	16,42%
WIENER Osiguranje VIG	13,49%
<b>TOP 3 – Non Life insurance</b>	
CROATIA Osiguranje	32,52%
EUROHERC Osiguranje	16,65%
ADRIATIC Osiguranje	9,86%

Table 27: TOP 3 market shares in Croatia 2018 (Source: X Primm Report 2018)

On the M&A side, in the beginning of 2019, Zavarovalnica SAVA, part of Slovenian re/insurance group SAVA Re, has finalized the acquisition of the two Croatian units of the German insurance group ERGO, part of MUNICH Re: ERGO osiguranje and ERGO zivotno osiguranje.<sup>19</sup>

<sup>16</sup> See X-Primm Report FY 2018

<sup>17</sup> See X-Primm Report 1HY 2019

<sup>18</sup> See X-Primm Report FY 2018

<sup>19</sup> See X-Primm Report 1HY 2019

### 3.6.2 Austrian Insurance Groups

Croatia is the only foreign market where all Austrian insurance groups have insurance subsidiaries. The accumulated written premiums of these entities amount to nearly 231 Mio. EUR (2017: 229 Mio. EUR).

Concerning Vienna Insurance Group, Erste Osiguranje was merged into Wiener Osiguranje in 2018.

## ANNEX 1: RISK MAP INSURANCE AND MACROECONOMIC INDICATORS

Country	Gross written premiums per country (in million Euro) <sup>1)</sup>			Premium development total <sup>1)</sup>	Insurance Density (in Euro) <sup>2)</sup>			Insurance Penetration Degree <sup>3)</sup>			Macroeconomic indicators <sup>4)</sup>											
	Gross written premiums 2018 Life	Gross written premiums 2018 Non-Life	Gross written premiums 2018 Total	Premium development in % (Euro Basis) 2018	Insurance Density LIFE	Insurance Density NON-LIFE	Insurance Density TOTAL	Insurance Penetration Degree LIFE	Insurance Penetration Degree NON-LIFE	Insurance Penetration Degree TOTAL	Unemployment Rate (in %) 2019 Forecast	Unemployment Rate (in %) 2018	Real GDP Growth (in %) 2019 Forecast	Real GDP Growth (in %) 2018	Consumer Prices Growth 2018 (in %)	Population in million 2018	Long Term Rating Moody's	Long Term Rating Fitch	Long Term Rating S&P	Long Term Rating Direction Moody's	Long Term Rating Direction Fitch	Long Term Rating Direction S&P
ALBANIA	9,25	127,41	136,67	0,12%	3,16	43,49	46,64	0,07%	0,97%	1,04%	6,10%	6,30%	2,80%	4,00%	2,02%	2,93	B1	-	B+	Affirm	-	Upgrade
BELARUS	49,64	446,05	495,69	0,11%	5,24	47,10	52,34	0,10%	0,86%	0,95%	-	-	1,10%	3,05%	4,87%	9,47	B3	B	B	Upgrade	Affirm	Upgrade
BOSNIA AND HERZEGOVINA	73,28	291,32	364,60	0,04%	20,88	83,00	103,87	0,41%	1,62%	2,03%	32,30%	35,97%	2,60%	3,60%	1,43%	3,51	B3	-	B	Affirm	-	-
BULGARIA	227,25	1.064,93	1.292,18	0,15%	32,28	151,27	183,55	0,39%	1,84%	2,23%	5,90%	6,20%	3,60%	3,18%	2,82%	7,04	Baa2	BBB	BBB-	Affirm	Affirm	-
CROATIA	422,54	906,15	1.328,69	0,10%	101,57	217,82	319,40	0,80%	1,71%	2,50%	7,20%	9,84%	2,70%	2,63%	1,50%	4,16	Ba2	BBB-	BBB-	Affirm	Upgrade	Upgrade
CYPRUS	378,87	492,58	871,45	0,07%	440,54	572,77	1.013,31	1,77%	2,30%	4,07%	7,00%	8,38%	3,10%	3,88%	1,44%	0,86	Ba2	BBB-	BBB-	Affirm	Affirm	Upgrade
CZECHIA	2.185,87	3.841,17	6.027,04	0,02%	204,86	360,00	564,86	1,02%	1,79%	2,81%	2,10%	2,23%	2,60%	2,94%	2,16%	10,67	Aa3	AA-	AA-	Upgrade	Affirm	Upgrade
ESTONIA	95,50	456,65	552,15	0,29%	72,35	345,95	418,30	0,36%	1,70%	2,06%	5,00%	5,38%	3,60%	4,76%	3,43%	1,32	A1	AA-	AA-	Affirm	Affirm	-
GEORGIA	12,19	164,41	176,61	0,24%	3,05	41,10	44,15	0,09%	1,16%	1,25%	11,40%	12,70%	4,30%	4,72%	2,63%	4,00	Ba2	BB	BB	Affirm	Affirm	Upgrade
GERMANY	81.641,00	122.790,00	204.431,00	0,04%	985,65	1.482,43	2.468,08	2,36%	3,55%	5,92%	3,10%	3,39%	0,50%	1,55%	1,93%	82,83	Aaa	AAA	AAA	Affirm	Affirm	-
HUNGARY	1.482,97	1.702,28	3.185,25	0,04%	152,73	175,31	328,04	1,08%	1,24%	2,31%	3,40%	3,73%	4,40%	5,14%	2,84%	9,71	Baa3	BBB	BBB	Affirm	Affirm	Upgrade
ITALY	106.108,00	37.074,00	143.182,00	0,04%	1.750,09	611,48	2.361,57	5,83%	2,04%	7,86%	10,00%	10,63%	0,20%	0,65%	1,24%	60,63	Baa3	BBB	BBB	Downgrade	Affirm	-
KOSOVO	3,00	90,50	93,50	0,07%	1,64	49,43	51,07	0,04%	1,31%	1,36%	-	-	-	-	-	1,83	-	-	-	-	-	-
LATVIA	145,17	610,59	755,76	0,17%	74,83	314,73	389,57	0,48%	2,03%	2,51%	6,70%	7,40%	2,80%	4,81%	2,54%	1,94	A3	A-	A	Affirm	Affirm	Upgrade
LIECHTENSTEIN	2.071,35	2.726,39	4.905,73	0,13%	53.735,61	70.728,92	127.266,12	38,19%	50,27%	90,45%	-	-	-	-	-	0,04	-	-	AAA	-	-	-
LITHUANIA	248,34	629,80	878,13	0,11%	88,69	224,93	313,62	0,53%	1,35%	1,89%	5,90%	6,18%	3,60%	3,49%	2,53%	2,80	A3	A-	A	Affirm	Affirm	Upgrade
NORTH MACEDONIA	27,15	134,28	161,44	0,10%	13,06	64,56	77,61	0,25%	1,21%	1,46%	17,10%	20,74%	3,40%	2,67%	1,46%	2,08	-	BB+	BB-	-	Upgrade	Downgrade
MOLDOVA	5,12	72,65	77,77	0,10%	1,44	20,46	21,91	0,05%	0,74%	0,79%	3,30%	3,10%	4,70%	4,00%	3,05%	3,55	B3	-	-	Affirm	Remove	-
MONTENEGRO	15,23	71,60	86,83	0,06%	24,48	115,12	139,60	0,32%	1,50%	1,82%	-	-	-	-	-	0,62	B1	-	B+	Affirm	-	-
POLAND	5.047,63	9.410,46	14.458,09	-0,03%	131,96	246,03	377,99	0,99%	1,84%	2,83%	5,70%	6,08%	4,00%	5,15%	1,66%	38,25	A2	A-	A-	Affirm	Affirm	Upgrade
ROMANIA	450,07	1.724,34	2.174,41	0,02%	23,07	88,38	111,45	0,22%	0,82%	1,04%	3,90%	4,10%	4,00%	4,10%	4,63%	19,51	Baa3	BBB-	BBB-	Affirm	Affirm	Upgrade
RUSSIAN FEDERATION	5.693,39	12.925,94	18.619,33	0,00%	38,27	86,89	125,16	0,39%	0,89%	1,29%	-	-	4,80%	1,10%	2,22%	148,77	Baa3	BBB	BBB-	Upgrade	Upgrade	Upgrade
SERBIA	201,27	644,04	845,31	0,08%	28,75	92,01	120,76	0,50%	1,59%	2,09%	13,40%	14,20%	3,30%	3,00%	2,60%	7,00	Ba3	BB+	BB	Affirm	Upgrade	-
SLOVAKIA	1.027,45	1.180,60	2.208,05	0,03%	188,52	216,62	405,15	1,10%	1,27%	2,37%	5,20%	5,42%	3,50%	4,11%	2,53%	5,45	A2	A+	A+	Affirm	Affirm	Upgrade
SLOVENIA	716,71	1.624,41	2.341,12	0,07%	344,57	780,97	1.125,54	1,51%	3,43%	4,94%	7,60%	8,25%	2,90%	4,23%	1,93%	2,08	Baa1	A	AA-	Affirm	Upgrade	Upgrade
SWITZERLAND	26.353,01	25.050,90	51.403,91	0,05%	3.085,83	2.933,36	6.019,19	4,28%	4,07%	8,34%	2,30%	2,62%	0,80%	2,76%	0,94%	8,54	Aaa	AAA	AAA	Affirm	Affirm	-
TURKEY	1.143,36	7.885,92	9.029,28	-0,12%	13,89	95,77	109,66	0,17%	1,17%	1,34%	13,30%	10,93%	-0,30%	3,05%	16,34%	82,34	B1	BB-	B+	Downgrade	Affirm	Downgrade
UKRAINE	123,17	1.433,47	1.556,64	0,20%	2,92	33,98	36,90	0,11%	1,25%	1,36%	8,70%	8,80%	3,10%	3,34%	10,95%	42,18	Caa1	B	B	Affirm	Upgrade	Upgrade
Risk Category				>15%	<10	<50	<100	<0,5%	<1%	<2%	>15%	>15%	<0%									
AUSTRIA	8.114,91	10.538,15	18.653,06	0,02%	641,97	1.504,90	2.146,87	1,39%	3,26%	4,65%	4,60%	4,85%	1,50%	2,31%	2,12%	8,63	Aa1	AA+	AA+	Affirm	Affirm	-